

Home Purchase Affordability Gap

OUTCOME: PROMOTE AFFORDABLE HOME OWNERSHIP OPPORTUNITIES

Countywide Planning Policy Rationale

"Within the Urban Growth Area, each jurisdiction shall demonstrate its ability to accommodate sufficient affordable housing for all economic segments of the population. Local actions may include zoning land for development of sufficient densities, revising development standards and permitting procedures as needed to encourage affordable housing, reviewing codes for redundancies and inconsistencies, and providing opportunities for a range of housing types, such as accessory dwelling units, manufactured homes, group homes and foster care facilities, apartments, townhouses and attached single family housing." (AH-1)

The home purchase affordability gap is defined as the gap between the price that a typical household can afford to pay for a home and the median price of housing on the market. This indicator analyzes the affordability gap for both median-income households and those households earning 80% of median household income (typical first-time buyer).

Between 2000 and 2003, King County's affordability gap decreased as incomes made nominal gains and interest rates began dropping. Beginning in 2004, a very active housing market saw home prices rise at a greater rate than incomes, contributing to a growing affordability gap.

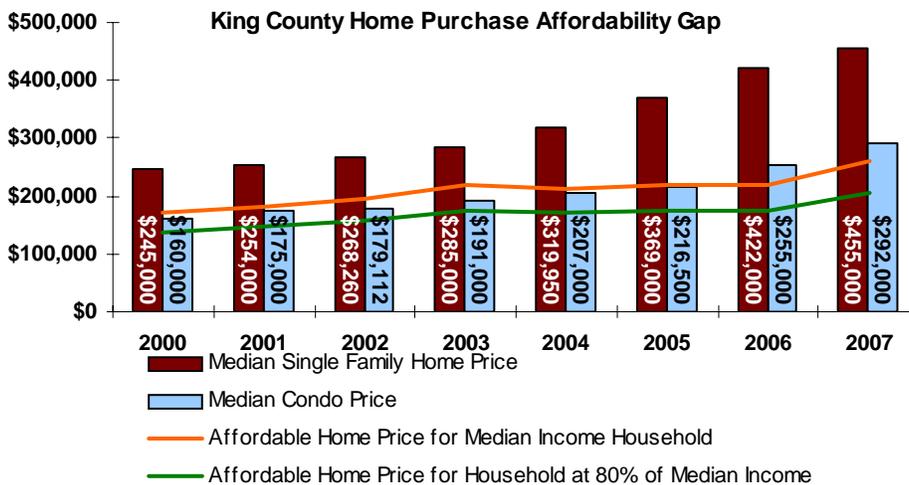
Despite the decrease in affordability, the home ownership rate in King County continued to rise, as shown in Indicator 25. The thriving housing market was marked by ready credit availability for many interested home buyers, which corresponded to the rise in ownership.

Figure 24.1

Home Purchase Affordability Gap for the Average King County Homebuyer				
	Home Price		Affordability Gap	
	Median	Affordable	Dollars	Percentage
1970	\$ 21,700	\$ 26,900	\$ (5,200)	-19%
1980	\$ 71,700	\$ 46,600	\$ 25,100	54%
1990	\$ 140,100	\$ 95,500	\$ 44,600	47%
1970-1990 figures are based on U.S. Census Survey data				
2000	\$ 225,000	\$ 171,000	\$ 54,000	32%
2001	\$ 235,000	\$ 180,900	\$ 54,100	30%
2002	\$ 249,000	\$ 196,200	\$ 52,800	27%
2003	\$ 265,000	\$ 219,700	\$ 45,300	21%
2004	\$ 289,950	\$ 212,900	\$ 77,050	36%
2005	\$ 332,000	\$ 219,300	\$ 112,700	51%
2006	\$ 378,500	\$ 220,300	\$ 158,200	72%
2007	\$ 397,000	\$ 258,800	\$ 138,200	53%

source: U.S. Census Bureau, American Community Survey, King County Department of Assessments

Figure 24.2



source: U.S. Census Bureau, American Community Survey, King County Department of Assessments

For the first time since 2000, an affordability gap exists in the condominium market for median income households. Through 2005, households earning median income could afford a median-priced condominium, but in both 2006 and 2007 a median-priced condominium was not affordable to these households.

For first-time homebuyers, the affordability gap for condos has widened. In 2007, the average condominium was 41% more costly than a typical first-time buyer could afford; in 2003, this gap stood at just nine percent.